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MONTANA PUBLIC SERVICE COMMISSION

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Montana Public Service Commission says “no” to passing Colstrip outage costs on to consumers

NorthWestern Energy denied cost recovery

HELENA, Mont. – March 29, 2016 – The Montana Public Service Commission voted 3-2 Tuesday to disallow costs related to a 2013 outage of Colstrip Unit 4 to be passed on to Northwestern Energy’s customers.

At issue was an estimated \$8.2 million in electricity market purchases made by NorthWestern to serve their Montana customers following the 2013 outage of Colstrip Unit 4, the result of a core malfunction.

“There was no evidence presented in this proceeding that proves to me that ratepayers should have to pick up the tab for the outage of this plant,” said PSC Chairman Brad Johnson, R-East Helena. “There were numerous steps that NorthWestern could and should have taken to protect their customers in the event of an outage, and unfortunately, they failed to do so.”

NorthWestern Energy is authorized by law, pending commission approval, to use a mechanism known as an “electricity tracker” to recover through rates “prudently incurred” costs associated with serving their customers. The Commission, however, found that the market purchases in question did not meet the requirements under state law for NorthWestern to pass the costs on to ratepayers.

“Consumers shouldn’t bear the risk of paying for a potential outage if the utility doesn’t take all the prudent steps to prevent it, and that is exactly what happened here,” said Commissioner Koopman, R-Bozeman, who made the motion to exclude the outage costs from rates. “I do not support the attitude that ratepayers should cover the costs of a utilities bad decisions, and the Commission made the correct determination today within the law that guides us.”

Intervening parties to the proceeding, the Montana Consumer Counsel and the Montana Environmental Information Center/ Sierra Club, argued that NorthWestern should have

explored outage insurance to protect ratepayers in such an event, as well as investigate the possibility of requiring that the manufacturer, Siemens, pay for the electricity market purchases, as the core malfunctioned immediately following a routine maintenance on the unit by Siemens.

“Most property owners and businesses are familiar with the idea that when their property breaks down, they suffer the consequences, unless they have bought insurance,” said Commissioner Travis Kavulla, R-Great Falls. “Here, NorthWestern neither investigated the possibility of obtaining insurance, nor did it take steps to limit the risk of major damage to its power plant by insisting on common-sense tests. Evidently, NorthWestern merely expected its consumers to bear the risk of those failures. That is inappropriate and not businesslike. The Commission’s decision is one that insists that NorthWestern act like a business.”

The costs of the market purchases had been included into rates on an interim basis, and the disallowance of the cost recovery will result in a refund to NorthWestern’s customers.

Members of the Commission also raised concerns with NorthWestern’s disclosure of information in the proceeding. NorthWestern proposed to recover these costs from customers within its application filed May 29, 2014. The application acknowledged but did not quantify the incremental replacement power costs attributable to the outage. NorthWestern also failed in their original application to provide a Root Cause Analysis explaining the determined cause of the core malfunction.

Commissioners Kirk Bushman, R-Billings, and Bob Lake, R- Hamilton, dissented on the vote.

“Nobody wants to see consumers’ rates increase as a result of an unforeseen event such as this outage, but I am not entirely convinced that NorthWestern Energy acted imprudently,” said Commissioner Lake. “Several steps were taken to mitigate the impact to customers, such as the property insurance in place, and the reciprocating agreement with Colstrip Unit 3, so it’s a stretch to say that NorthWestern was not acting in a prudent manner to protect their ratepayers.”

“There is very little proof, if any, to back up the claim that NorthWestern acted imprudently, and the Commission’s decision today just adds to the uncertainty surrounding coal fired generating units in Montana,” said Commissioner Kirk Bushman. “I could not support the motion today as it is potentially another nail in Colstrip’s coffin, and it’s the ratepayers of Montana who will eventually pay the price if Colstrip closes.”

The Commission expects to issue a final order by mid-May that explains in full the rationale of the decision.

To view the full docket, visit: <http://1.usa.gov/1RHO5yk>

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